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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

May 4, 2009

Mr. Harry L. Anthony, P. E.
Uranium Energy Corp
100 East Kleberg, Suite 310
Corpus Christi, Texas 78363

91 7108 2133 3935 1936 3425

CERTIFIED MAIL

Re: Transmittal of Initial Draft Production Area Authorization (PAA)

UR03075PAA1

Goliad Project In Situ Uranium Mine, Goliad County, Texas

Tracking No. 12649593-1; RN105304802/CN603228461

Dear Mr. Anthony:

Enclosed is the draft PAA that our technical staff has developed in response to your PAA dated August 26, 2008 (revised February 20, 2009 and March 12, 2009). The attached technical summary and executive director's preliminary decision briefly summarizes the application request.

The draft PAA is subject to further staff review and modification. Staff will be determining whether Uranium Energy Corp has paid fees and penalties due to the TCEQ. If you have any delinquent fees or penalties, this may result in a recommendation to return your application or deny your PAA. The draft PAA is provided for your information. Any comments you may have on the initial draft PAA should be submitted in writing within thirty (30) days from the date of this letter to Mr. David H. Murry, Industrial & Hazardous Waste Permits Section, mail code MC130. If you have any questions on the initial draft PAA, please contact David Murry at (512) 239-6080.

Sincerely,

A handwritten signature in black ink, appearing to read "Tanveer Anjum".

Tanveer Anjum, P.E., Manager
Industrial & Hazardous Waste Permits Section
Waste Permits Division

TA/DHM/fp

cc: Mr. Jose Torres, EPA Region 6, 6WQ-S

Enclosure

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6WQ-S

TECHNICAL SUMMARY AND EXECUTIVE DIRECTOR'S PRELIMINARY DECISION

April 17, 2009

Description of Application

- Applicant:** Uranium Energy Corp (UEC), Goliad Project, In Situ Uranium Mining Project
Proposed Production Area Authorization (PAA) 1 under Area Permit No. UR03075.
- Location:** The Goliad Project in situ uranium mine is located approximately 13 miles north of the city of Goliad, about 0.9 miles east of the intersection of State Highway 183 and Farm-to-Market Road 1961, in Goliad County. The Goliad Project site is accessible from Farm-to-Market Road 1961.
- General:** The proposed operations at this facility include in situ recovery of uranium and aquifer restoration.
- Request:** UEC applied to the Texas Commission on Environmental Quality (TCEQ) on August 26, 2008 for a new PAA at the Goliad Project mine. The application was declared administratively complete on September 19, 2008.
- Authority:** Texas Water Code §27.011 requires the area permit (mining permit). A draft PAA required under provisions of the area permit has been prepared in accordance with applicable requirements of 30 TAC Chapters 281, 305 and 331.

Technical Information

The production zone is in the portion of the Goliad Formation designated as Sand B. Sand B is at an elevation ranging from approximately 30 to 85 feet above mean sea level in the proposed production area. Hydrologic pump tests have determined that no communication exists between the production zone and the overlying and underlying aquifers. Clay aquitards protect these overlying and underlying aquifers from in situ mining in the mineralized sands.

The mining procedure involves injection of native groundwater, carbon dioxide, and oxygen into the uranium bearing sands through a pattern of injection wells. The uranium is oxidized and dissolved by the leaching solution. The solution is then pumped from a pattern of recovery wells to the processing plant where uranium is extracted by ion exchange. Finally, the water is reconstituted with oxidizing agents and is recycled to the field for reinjection. A small amount of water is continuously withdrawn from the overall operation for disposal. This produces a hydraulic sink causing ground water to flow toward the production area. Monitor wells will be installed for each production area to provide horizontal and vertical surveillance of groundwater quality and to monitor confinement of the mining solution in the production zone. Mining is planned to start late in 2010. Uranium Energy Corp will be required to conduct restoration of the production zone groundwater once mining is complete. Aquifer restoration is expected to begin in late 2011 in depleted areas and be completed in late 2012.

The base of the underground source of drinking water in the mine area is at approximately 1300 feet below mean sea level. However, UEC has requested that the interval from the top of Sand A, which occurs at a depth of 45 feet (about 185 feet above mean sea level), to the base of Sand D, which occurs at a depth of 404 feet (about 174 feet below mean sea level), be designated as an exempted aquifer in accordance with §331.13. This exemption would allow UEC to inject leaching solutions into the exempted aquifer for the purpose of extracting uranium. This aquifer exemption request currently is a contested matter and has been referred to the State Office of Administrative Hearings for adjudication. In situ mining in the production area is not authorized without the requested aquifer exemption.

TECHNICAL SUMMARY AND EXECUTIVE DIRECTOR'S PRELIMINARY DECISION

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The permittee is required to secure and maintain a performance bond, or other financial assurance mechanism, to provide for the proper plugging and abandonment of all injection, production and monitor wells on the site, and for aquifer restoration. The cost estimate for plugging of wells regulated by PAA1 is \$173,519 in 2008 dollars, and the cost estimate for aquifer restoration is \$1,934,742 in 2008 dollars. This specification will be reviewed annually and may be altered at a future date to reflect the prevailing general economic conditions.

Process for Reaching a Final Decision and Opportunities for Public Participation

Once the proposed PAA is completed, it is sent to the TCEQ Office of the Chief Clerk for public notice. Mailed and newspaper notice of the application and executive director's preliminary decision are provided in accordance with 30 TAC §39.653(c) with instructions for submitting public comments and requesting a public meeting. Written public comments and requests for a public meeting must be submitted to the Office of the Chief Clerk within 30 days from the date of publication of the newspaper notice.

The executive director will consider public comments in making a final decision on this application. The TCEQ will hold a public meeting if the executive director determines that there is a significant degree of public interest in the application or if requested by a local legislator. After the deadline for public comments, the executive director will consider the comments and prepare a response to all relevant and material or significant public comments. The response to comments will include the executive director's decision on the application and will provide instructions for requesting a contested case hearing or reconsideration of the executive director's decision.

A contested case hearing will only be granted based on disputed issues of fact that are relevant and material to the commission's decision on the application on issues that were raised during the public comment period and not withdrawn. The executive director may issue final approval of the application unless a timely contested case hearing request or request for reconsideration is filed. If a timely hearing request or request for reconsideration is filed, the executive director will not issue final approval of the production area authorization (PAA) and will forward the application and request to the TCEQ Commissioners for their consideration at a scheduled commission meeting. If hearing requests are granted, the hearings will be conducted by the State Office of Administrative Hearings. Decisions regarding the PAA may be reconsidered in response to a Motion for Rehearing or a Motion for Reconsideration and by appeal to a District Court in Travis County.

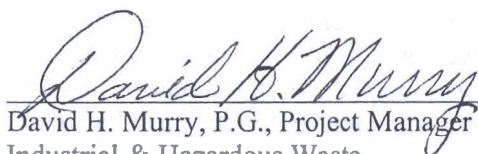
Preliminary Decision

The executive director has made a preliminary decision that the proposed PAA, if issued, meets all statutory and regulatory requirements.

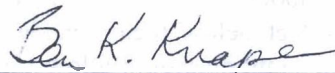
The proposed PAA does not authorize variances or alternatives to required standards.

Prepared by:

Reviewed by:



David H. Murry, P.G., Project Manager
Industrial & Hazardous Waste
Permits Section
Waste Permits Division



Ben Knappe, P.G., Team Leader
Industrial & Hazardous Waste
Permits Section
Waste Permits Division